

AUSTRALIAN COSMETICS AND TOILETRIES MARKET

Market Overview 2008

The Australian cosmetics and toiletries market is valued at US\$1 billion, with the industry being driven by an increased awareness of appearance and increased disposable income. Imports supply nearly 50 percent of the market, with 30 percent of imports originating from the United States. The most significant sub-sector is color cosmetics, accounting for 45 percent of retail sales. The increased popularity of innovative color cosmetics is spurring on sales.

Australians are becoming more concerned with wellness and seek products that prolong a youthful appearance. The ageing baby boomer generation holds the most potential for U.S. suppliers of cosmetics and toiletries. Baby boomers are particularly concerned about their appearance caused by pollution, stress, increasing time demands and artificial office environments. These older Australians are mindful of their appearance, with many encouraged to stay in the workforce longer. Such factors are forecast to assist manufacturers that produce cosmetics and toiletries with advanced formulas.

The sub sectors experiencing most growth are color cosmetics, hair care and beauty salon products. Color cosmetics that offer appearance-enhancing benefits along with anti-aging properties, are in a good position for continued growth. Increasingly, manufacturers are supplying goods that emphasize, preserve and protect rather than just for cosmetic appearance, e.g., products to reduce wrinkles.

Professional hair products promoted by a world-renowned hairdresser or hair care company are also promising. The demand for colorants to cover gray, including colorants for the men's market, is increasing. Likewise, growth in the beauty salon market is primarily due to professional-based regimes which are popular with Australian consumers. The continuing concern of skin problem management is driving interest in beauty therapists' treatments in a professional salon/spa environment.

Future growth is predicted for the import of innovative and quality brands. Premium products are expected to experience strong growth in line with fashion trends that give preference to the high end. A continuing demand for appearance enhancing products is creating favorable prospects for suppliers of advanced formulas.

Supply leadership is shared by a number of firms, the majority of which are subsidiaries of foreign owned companies. The top 10 companies account for 63 percent of sales. The major players are Unilever, Procter & Gamble, the L'Oreal Group and Estee Lauder. Local companies such as Bloom, Ultra-ceuticals and Jurlique share the remaining 37 percent market share. The U.S. is the single largest source of imports (30 percent), with a significant import share held also by France (18 percent), followed by the United Kingdom (11 percent).

Market Issues and Regulatory Regime

As a result of the Free Trade Agreement between the United States and Australia, the general import duty on cosmetics and toiletries decreased on January 1, 2005, from five percent to zero. Further information about duties and customs requirements can be obtained by viewing the Australian Customs Service website: www.customs.gov.au.

When cosmetics and toiletries are shipped to Australia, the goods are subject to GST (Goods and Services Tax), which is a broad-based tax to the sale or provision of most goods and services in Australia. While the responsibility to pay GST to the Australian Taxation Office lies with the producer/supplier, it is the consumer who finally bears the GST cost. The importer pays the GST to the Australian Customs Service.

Australia has strict regulatory requirements regarding cosmetics ingredients and labeling.

Primarily, ingredient safety falls under the National Industrial Chemicals Notification and Assessment Scheme (NICNAS), administered by the Department of Health and Ageing, which require approval for use of a wide range of substances, including ingredients in cosmetics. For further information, NICNAS can be found at www.nicnas.gov.au.

Cosmetic and toiletry products are subject to approval by the Therapeutic Goods Administration (TGA), which is part of the Australian Government. There are many issues concerning the registration process, as suppliers are required to demonstrate that a product is not considered to be a therapeutic good, otherwise the release of the product in Australia must follow the requirements of the Therapeutic Goods Act. Some sunscreens for example must be registered with the Australian Register of Therapeutic Goods. Further information on approval processes, including costs, can be obtained from:

Therapeutic Goods Administration
P.O. Box 100
Woden, Australian Capital Territory 2606
Australia
Tel: 61-2-6232-8444
Fax: 61-2-6232-8605
Web: www.tga.gov.au

Best prospects

Over the next year, the Australian cosmetic and toiletries market will provide good opportunities for U.S. suppliers of the following products:

Color cosmetics.
Hair care products.
Beauty salon based products.

Distribution channels

There has been a marked shift in retailing of cosmetics and toiletries in Australia in recent years. Sales by traditional retailers and pharmacies are being eroded by major supermarkets. Nearly half of all cosmetics and toiletries (45 percent) are purchased through major supermarkets such as Coles and Safeway (Woolworths). Pharmacies and cosmetic retailers (a group which once occupied a large portion of the market) now represent 35 percent of cosmetic and toiletry sales. General merchandise retailers such as Target and Kmart, which are part of the Coles Myer group, and Big W, which is a Woolworths company, stock cosmetics and toiletries at very competitive prices. However, premium cosmetics and toiletries continue to be sold by pharmacies, salons, cosmetic retailers and department stores.

The move from pharmacies, salons and cosmetic retailers to mass-market chains and supermarkets has stimulated growth particularly in the skin care and hair care sub-sectors. This expansion is a result of mass-market chains and supermarkets aiming for a larger customer base.

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Statistical sources:

Australian Bureau of Statistics